

CHAPTER 7

OTHER ASSETS0701 GENERAL

070101 Purpose. This chapter prescribes the accounting requirements for recording transactions in those asset accounts not covered in Chapters 2 through 6 of this Volume. These requirements are consistent with and implement the general accounting policy for assets prescribed in Chapter 1 of this Volume.

070102 Overview. Other assets are those assets that are not used directly in performing the DoD mission. These assets consist of securities held in various trust funds, assets acquired through means other than appropriations and assets awaiting disposal or held in layaway.

0702 ACCOUNTING POLICY

The accounting policy applicable to other assets are covered in Chapter 1 of this Volume and in paragraphs 070301 through 070308, below, dealing with the assets discussed in this chapter.

0703 ACCOUNTING FOR OTHER ASSETS

070301 Paragraphs 070302 through 070308, below, describe the accounts and their use to record financial transactions related to other assets owned by the Department of Defense.

070302 Investments (Account 1600)

A. "Investments" represents the value of securities and other assets held for the production of revenues in the form of interest, dividends, rentals, or lease payments, net of premiums and discounts.

B. This account is used for financial accounting and control purposes. No entries are posted to this account.

070303 Securities (At Par) (Account 1610)

A. "Securities (At Par)" is used to record the par value of U.S. securities held by DoD Components.

B. DoD Components holding such securities shall maintain an investment subsidiary ledger that provides the name, type, amount, acquisition date, acquisition cost, yield or interest rate, discount or premium, maturity date, and other applicable information for each investment.

C. A subsidiary account shall be maintained for each trust fund used to invest in U.S. securities.

D. Table 7-1 illustrates the more common entries used for this account.

E. The timing associated with the disposition of a nonmarketable U.S. security shall determine whether there is a gain or loss on the disposition and whether any remaining unamortized premium or discount must be removed from the accounts. A comparison of principal proceeds and the book value of a U.S. security at time of disposition will determine whether there is a gain or loss on disposition. If there is any remaining unamortized premium or discount, it must be removed from the accounts. Table 7-2 entries illustrate the disposition of a U.S. security with unamortized bond premiums or discounts:

ACCOUNTING ENTRIES FOR ACCOUNT 1610 - SECURITIES (AT PAR)

1. Dr 1610 Securities (At Par)
Cr 1012 Funds Disbursed

To record the purchase of U.S. securities at par value.

2. Dr 1610 Securities (At Par)
Cr 1611 Securities-Unamortized Premium or Discount
Cr 1012 Funds Disbursed

To record the purchase of U.S. securities at a discount.

3. Dr 1610 Securities (At Par)
Dr 1611 Securities-Unamortized Premium or Discount
Cr 1012 Funds Disbursed

To record the purchase of U.S. securities at a premium.

4. Dr 1610 Securities (At Par)
Dr 1611 Securities-Unamortized Premium or Discount
Dr 1311 Accounts Receivable-Government-Current
Cr 1012 Funds Disbursed

To record the purchase of U.S. securities at a premium when the purchase price includes interest from the last date interest was paid.

5. Dr 1610 Securities (At Par)
Dr 1311 Accounts Receivable-Government-Current
Cr 1012 Funds Disbursed
Cr 1611 Securities-Unamortized Premium or Discount

To record the purchase of U.S. securities at a discount when the purchase price includes interest from the last date interest was paid.

6. Dr 1610 Securities (At Par)
Dr 1311 Accounts Receivable-Government-Current
Cr 1012 Funds Disbursed

To record the purchase of U.S. securities at par when the purchase price includes interest from the last date interest was paid.

7. Dr 1011 Funds Collected
Cr 1610 Securities (At Par)

To record the following:

- (a) Redemption at maturity of U.S. securities purchased at par.
- (b) Sale of U.S. securities at par with no accrued interest earned. If interest has accrued it must be recognized in recording the sale.

TABLE 7-1

**DISPOSITION OF A U.S. SECURITY WITH
UNAMORTIZED BOND PREMIUMS OR DISCOUNTS**

1. Dr 1011 Funds Collected
Dr 7292 Investment Losses
 Cr 1611 Securities-Unamortized Premium or Discount
 Cr 1610 Securities (At Par)

To record the redemption of U.S. securities at a loss after recognizing amortization of the premium.

2. Dr 1011 Funds Collected
Dr 1611 Securities-Unamortized Premium or Discount
Dr 7292 Investment Losses
 Cr 1610 Securities (At Par)

To record the redemption of U.S. securities at a loss after recognizing amortization of the discount.

3. Dr 1011 Funds Collected
Dr 1611 Securities-Unamortized Premium or Discount
 Cr 1610 Securities (At Par)
 Cr 7192 Investment Gains

To record the redemption of U.S. securities at a gain after recognizing amortization of the discount.

4. Dr 1011 Funds Collected
 Cr 1611 Securities-Unamortized Premium or Discount
 Cr 1610 Securities (At Par)
 Cr 7192 Investment Gains

To record the redemption of U.S. securities at a gain after recognizing amortization of the premium.

TABLE 7-2

F. Periodically, but at least annually, the balance in the Securities account is to be reconciled with the trust fund portfolios. Such reconciliations also should occur whenever there is a change in trust fund managers or other employees having access to the securities, or when there is a substantial addition, disposition, or replacement in the composition of the portfolio.

G. Unless otherwise provided for by the provisions governing a trust fund operation, securities held by DoD trust funds are U.S.

securities. No certificates are issued by the Treasury. Instead, Treasury notifies trust fund managers of increases or decreases to the portfolios using the TFS 1081-1 "Investment Authorization."

H. DoD officials charged with administering trust funds are to be bonded in accordance with the laws and regulations governing the trust fund operations. Generally, the Federal Government acts as a self-insurer and does not require its employees to post bond or to be bonded.

I. Source documents for entries to the account include U.S. securities, the TFS 1081-1 "Investment Authorization," collection and disbursement vouchers, amortization schedules, and journal vouchers.

070304 Securities-Unamortized Premium or Discount (Account 1611)

A. "Securities-Unamortized Premium or Discount" is used to record the unamortized amount of premiums or discounts on securities.

B. A subsidiary account for unamortized premiums or discounts shall be maintained for each trust fund for determining the gain or loss on the disposition of securities held by each trust fund. This information also is needed for reporting on the financial status of the trust funds.

C. The entries in paragraph 070303, above, and Table 7-3 illustrate the use of this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 1611 -
SECURITIES-UNAMORTIZED PREMIUM OR DISCOUNT**

1. Dr 1311 Accounts Receivable-Government-Current
Dr 1611 Securities-Unamortized Premium or Discount
Cr 5300 Interest and Penalties Revenue

To record interest earned and amortize bond discount for the current period.

2. Dr 1311 Accounts Receivable-Government-Current
Cr 1611 Securities-Unamortized Premium or Discount
Cr 5300 Interest and Penalties Revenue

To record interest earned and amortize bond premium for the current period.

TABLE 7-3

D. Security discounts and premiums shall be amortized over the life of an investment security.

E. The income derived from these securities other than Treasury bills shall be the interest stated on the face of the securities adjusted for the amortized premium or discount. A premium exists when securities are purchased for greater than their face value. For Treasury bills, the income is the difference between the price paid and the price received at the time of sale or maturity.

F. Premiums and discounts shall be amortized over the life of the securities using the effective interest method or other method if similar results are obtained. The computation of the effective interest rate (yield to maturity) and book value for notes and bonds uses a basic

formula for book value. The formula is used to compute yield to maturity by a successive approximation process. This calculated yield to maturity is then used to compute book value at any specified date. The formula for the book value of a bond is found in Table 7-4.

G. To solve for the semiannual yield to maturity by successive approximation:

1. Set semiannual yield to maturity (Y) equal to the semiannual interest rate (IR), and compute book value (BV).

2. Compare BV to the purchase cost of the security.

3. If the purchase cost is greater, decrease the semiannual yield to maturity (Y) by .1 percent (.001).

FORMULA FOR THE BOOK VALUE OF A BOND

$$BV = (PV \times \frac{1}{(1 + Y)^{NP}}) + (PV \times IR \times \frac{1 - (1 + Y)^{-NP}}{Y})$$

where:

BV = Book value at a given date.

PV = Par value at maturity.

Y = Semiannual yield to maturity.

NP = Number of semiannual periods to maturity, including as a decimal any fractional part of 6 months from date selected to the next coupon payment date.

IR = Semiannual interest rate.

Y and IR (percents) are converted to full decimal ($0 < Y, IR < 1$).

Semiannual rates for Y and IR are computed by dividing the published annual rate by 2.

TABLE 7-4

4. If the purchase cost is lower, increase Y by .1 percent (.001).

5. When Y is found to .1 percent, repeat the above process using increments or decrements of .01 percent.

6. Iterate until Y is accurate to ten decimal places. The semiannual yield to maturity is the final value for Y.

7. To solve for book value at a given date, use the computed yield to maturity for Y, and an appropriate value for NP.

H. The value for amortized premium expense or amortized discount income is computed using differences in book values at selected dates. Unamortized premium or discount is computed using differences in par value and book value at selected dates.

I. Source documents for entries to this account include amortization schedules and journal vouchers.

070305 Other Investments (Account 1690)

A. "Other Investments" is used to record the value of securities issued by government sponsored enterprises and non-government entities.

B. DoD Components are not authorized to own such securities. Accordingly, this account shall not be used by DoD Components.

070306 Industrial Property in Layaway (Account 1761)

A. "Industrial Property in Layaway" is used to record the capitalized value of DoD property that is stored for future use in meeting mobilization purposes.

B. The determination of industrial equipment that is to be retained in storage to meet future mobilization requirements shall be made following the guidance in DoD Directive 4215.18 and DoD Directive 4275.5.

C. Subsidiary accounts shall be maintained by locations where the industrial

equipment is stored. Periodically, but at least annually, the equipment shall be inspected and a physical inventory taken in accordance with the guidance in Chapter 1 of this Volume.

D. Table 7-5 illustrates the most common entries used for this account.

ACCOUNTING ENTRIES FOR ACCOUNT 1761 - INDUSTRIAL PROPERTY IN LAYAWAY

1. Dr 1761 Industrial Property in Layaway
Cr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial Facilities and Others

To record the value of industrial plant equipment placed in storage.

2. Dr 1765 Property Awaiting Disposal
Cr 1761 Industrial Property in Layaway

To record the value of industrial plant equipment in storage that is sent to disposal.

TABLE 7-5

E. Sources for entries to this account include documentation from property administrators or other officials charged with determining the need to retain equipment and journal vouchers with supporting documentation (such as reports of survey) for adjustments to the account.

070307 Property Awaiting Disposal (Account 1765)

A. "Property Awaiting Disposal" is used to record the capitalized value of property officially designated for disposal, recovery, and/or utilization.

B. The Defense Reutilization and Management Service (DRMS) manages most of the property designated for recovery, utilization, and/or disposal. DRMS is an organization within the Defense Logistics Agency that administers the following:

1. The worldwide DoD Personal Property Utilization and Disposal Program governed by DoD Directive 4160.21.
2. The Precious Metals Recovery Program governed by DoD Directive 4160.22.

There are cases, however, when DRMS may not be involved. The disposition of surplus contractor-held inventory governed by the Federal Acquisition Regulation is one example.

C. When a DRMS activity has responsibility for the disposal of certain property, such as explosives, but lacks adequate resources to physically handle it, DRMS shall make suitable alternative arrangements for its care and custody. DRMS shall maintain financial accounting records for such property. The activity performing custodial services shall maintain such property and financial accounting records as necessary to provide an accounting to DRMS for such property.

D. DRMS shall not accept accountability for recovery, utilization, and/or disposal until the property is physically received unless the DRMS activity involved is prohibited from physically receiving the property. In such cases, DRMS accountability begins when title passes to DRMS.

E. Property in-transit to disposal shall be recorded as "in transit" when such transfer begins. The accountable organization shall record the transaction in its accounting

system when the transfer action is initiated. It shall be removed from the in-transit account only when the property is received and accepted by the DRMS activity. Under no circumstance shall entries to the in-transit accounts be reversed at the beginning of the following accounting period without proper supporting documentation such as reports of survey or notice of receipt by the DRMS activity.

F. DoD policy is to record the difference between the value of an asset before identification as excess, obsolete, and unservicable (i.e., beyond repair) and its expected net realizable value after such identification as a loss in current period operations within the DoD Component activity from which the asset is to be disposed. The loss shall be recognized in general ledger account 7293, "Other Miscellaneous Losses," at the time the determination is made even though the disposition of the asset may not occur until a later period. Any subsequent adjustments to its net realizable value shall also be recognized as a loss in the period in which such adjustments occur. "Net realizable value" is the current salvage rate, expressed as a percentage of latest acquisition cost, as that rate is reported by the Defense Reutilization and Marketing Service (DRMS). Property awaiting disposal is not subject to further depreciation.

G. Subsidiary accounts shall be maintained in a manner that provides information necessary to manage and report on property awaiting disposal.

H. Property awaiting disposal that is not capitalized shall be monitored through property control records in the related property management system.

I. Costs associated with the transportation of property to DRMS are to be treated as current operating costs.

J. Costs associated with readying the property for disposal and with disposition shall be treated as current operating costs, since the primary purpose of DRMS is to dispose of unneeded DoD property.

K. Table 7-6 illustrates the most common entries used for this account.

L. Sources for entries to this account include receiving reports, transfer and shipping documents, sales records, collection and deposit documents, and journal vouchers.

070308 Assets Under Capital Lease (Account 1810)

A. "Assets Under Capital Lease" is used to record the amount of assets being leased under terms that essentially are equivalent to an installment purchase.

B. A lease agreement is an agreement to convey the use of an asset or part of an asset (such as part of a building) from one entity, the lessor, to another, the lessee, for a specified period of time in return for rent or other compensation. Lessees have either capital or operating leases while lessors have either sales-type, direct financing, or operating leases. Capital, sales-type, and direct financing leases transfer substantially all the benefits and risks of ownership from the lessor to the lessee. All other leases should be accounted for as operating leases, i.e., rental of property.

1. Agreements with foreign governments which permit the Department of Defense occupancy of facilities under agreements which require the Department of Defense to maintain the facilities shall be treated as a capital lease. The amount to be recorded as a capital lease shall be determined using the guidance in paragraph 070307.E, below.

C. When the lease agreement is essentially equivalent to an installment purchase of property, the DoD Component shall record the applicable asset and liability. In such cases, the substance of the arrangement, rather than its legal form, shall determine the accounting treatment.

D. Lessees shall classify a lease as a capital lease if the lease agreement is essentially equivalent to an installment purchase of property. If any of the following criteria is met, the

ACCOUNTING ENTRIES FOR ACCOUNT 1765 - PROPERTY AWAITING DISPOSAL

1. In the transferor's accounting system:
 Dr 3231 Transfers-Out to Government Agencies Without Reimbursement
 Dr 7293 Other Miscellaneous Losses
 Dr 1769 Accumulated Depreciation on Military Equipment (if any)
 Cr 1762 Equipment in Use
 To record transfer of equipment to DRMS for disposition.

2. In the transferor's system when transfer involves two accounting periods:
 Dr 1770 Equipment in Transit
 Dr 7293 Other Miscellaneous Losses
 Dr 1769 Accumulated Depreciation on Military Equipment (if any)
 Cr 1762 Equipment in Use
 To record equipment in transit to DRMS.

3. When transfer is completed the following accounting period:
 Dr 3231 Transfers-Out to Government Agencies Without Reimbursement
 Cr 1770 Equipment in Transit
 To record DRMS receipt of equipment in transit at end of prior accounting period.

4. In the DRMS accounting system:
 Dr 1765 Property Awaiting Disposal
 Cr 3220 Transfers-In from Others Without Reimbursement
 To record receipt of property and any accumulated depreciation for disposal.

5. Property returned to item managers by DRMS:
 Dr 3231 Transfers-Out to Government Agencies Without Reimbursement
 Cr 1765 Property Awaiting Disposal
 To record transfer of property to item managers.

6. Sale of property by DRMS:
 Dr 1011.1 Funds Collected-Operating Program-DBOF
 Dr 1769 Accumulated Depreciation on Military Equipment (if any)
 Dr 7210 Losses on Disposition of Assets
 Cr 1765 Property Awaiting Disposal
 Cr 5100 Revenue from Goods Sold
 To record disposition of property awaiting disposal.

TABLE 7-6

lease agreement is presumed to be equivalent to an installment purchase:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.

2. The lease contains an option to purchase the leased property at a bargain price.

3. The noncancelable lease term is equal to or greater than 75 percent of the estimated economic life of the leased property.

4. The present value of rental and other minimum lease payments, excluding that portion of the payments that represents executory costs, such as insurance, maintenance, and taxes to be paid by the lessor equals or exceeds 90 percent of the fair value of the leased property. The lessee shall compute the present value of minimum lease payments using the Treasury Average Interest Rate for Marketable Interest-Bearing Debt unless as follows:

- a. It is practicable for the lessee to learn the interest rate implicit in the lease computed by the lessor.

- b. The implicit rate computed by the lessor is less than the Treasury Average Interest Rate for Marketable Interest-Bearing Debt.

The last two criteria in paragraph 070307.D.4.a and 070307.D.4.b, above, do not apply if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property. An agency's "rental" of space from GSA does not meet these criteria.

E. Components with capital leases shall treat capital leases as the acquisition of an asset and the incurrence of a liability. The asset shall be recorded at its fair market value, with a like amount shown in the liabilities section.

F. Interest shall be computed and recognized periodically. The effective interest method (see paragraph 070304.F, above) shall be used to produce a constant rate of interest on the

remaining lease liability. A portion of each lease payment shall be allocated to interest expense, and the balance shall be applied to reduce the lease liability. The amount allocated to interest expense shall be computed based on the interest rate used to compare the present value of minimum lease payments.

G. In leases with a residual guarantee by the lessee or a penalty for failure to renew the lease at the end of the lease term, following the method in paragraph 070304.F, above, of amortization will result in a balance of the liability at the end of the lease term that will equal the amount of the guarantee or penalty at that date. If a renewal or other extension of the lease term or a new lease under which the lessee continues to lease the same property renders the guarantee or penalty inoperative, the asset and the liability under the lease shall be adjusted by an amount equal to the difference between the present value of the future minimum lease payments under the revised agreement and the present balance of the liability. The present value of future minimum lease payments under the revised agreement shall be computed using the rate of interest used to record the lease initially. Other renewals and extensions of lease terms shall be considered new agreements.

H. Any lease that is not a capital, sales-type, or direct financing lease is an operating lease. Lessees shall treat the payments and accruals for operating leases as expenses; lessors shall treat the payments and accruals as current revenue and depreciate the asset in accordance with its depreciation policy. The asset shall be reported on the lessor's Statement of Financial Position as a component of Property, Plant, and Equipment.

I. Definitions.

1. Lease Term. For nonoperating leases, the lease term is the fixed noncancelable term of the lease plus all periods, if any, representing renewals or extensions of the lease that can reasonably be expected to be taken.

2. Noncancelable. Means the lease is cancelable only on the occurrence of a

remote contingency. Funds not being appropriated by the Congress in future years to cover the lease is considered a remote contingency.

3. Bargain Purchase Option. A lessee's option to purchase the leased property at a bargain price that makes the exercise of the option almost certain.

4. Estimated Economic Life. The estimated remaining useful life of property for the purpose for which it was intended, regardless of the term of the lease.

5. Minimum Lease Payments. The payments that the lessee is obligated to make or can be required to make in connection with the leased property. (Contingent rentals are excluded from the minimum lease payments.)

6. Fair Value. The leased property is the price for which the property could be sold in an arm's-length transaction between unrelated parties.

7. Interest Rate Implicit in the Lease. The discount rate that, when applied to the minimum lease payments (less executory costs and the unguaranteed residual value), causes the aggregate present value at the beginning of the lease term to be equal to the fair value of the leased property at the inception of the lease.

8. Renewal or Extension of a Lease. The continuation of a lease agreement beyond the original lease term, including a new lease under which a lessee continues to use the same property.

J. Table 7-7 illustrates the most common entries used for this account.

K. Sources for entries to these accounts include contracts, payment documents, amortization schedules, and journal vouchers.

070309 Accumulated Depreciation on Assets Under Capital Leases (Account 1819)

A. "Accumulated Depreciation on Assets Under Capital Leases" accumulates the depreciation charged to expense for assets under capital lease.

B. This account shall be used by those activities that are authorized to enter into capital lease agreements and are required to recover their operating costs through sales of goods and services.

C. Table 7-8 illustrates the most common entries used for this account.

D. Sources for entries to this account include journal vouchers showing the basis for the depreciation computation.

ACCOUNTING ENTRIES FOR ACCOUNT 1810 - ASSETS UNDER CAPITAL LEASE

1. Dr 1810 Assets Under Capital Lease
Cr 2991 Capital Leases Payable

To record the value of capital leases signed.

2. Dr 1819 Accumulated Depreciation on Assets Under Capital Lease
Dr 2991 Capital Leases Payable
Dr 7210 Losses on Disposition of Assets
Cr 1810 Assets Under Capital Lease

To record disposition of an asset held under a capital lease at a loss.

TABLE 7-7

**ACCOUNTING ENTRIES FOR ACCOUNT 1819 -
ACCUMULATED DEPRECIATION ON ASSETS UNDER CAPITAL LEASES**

1. Dr 6125 Depreciation of Equipment
Dr 6126 Depreciation of Real Property
Cr 1819 Accumulated Depreciation on Assets Under Capital Leases

To record depreciation of assets held under capital lease.

2. Dr 1819 Accumulated Depreciation on Assets Under Capital Lease
Dr 2940 Capital Leases Liability
Dr 7210 Losses on Disposition of Assets
Cr 1810 Assets Under Capital Lease

To record disposition of an asset held under a capital lease at a loss.

TABLE 7-8

070310 Leasehold Improvements (Account 1820)

A. "Leasehold Improvements" is used to record the value of improvements to leased property. Amounts recorded by DoD Components shall meet the capitalization criteria in Chapter 1 of this Volume.

B. As a general rule, most improvements to leased facilities shall be treated as a current operating expense. In a few instances, leases may cover more than 2 years, including renewals, and improvements may cost more than \$25,000.

C. Table 7-9 illustrates the most common entries used for this account.

D. Sources for entries to this account include journal vouchers and documents transferring completed construction projects to this account.

070311 Accumulated Amortization on Leasehold Improvements (Account 1829)

A. "Accumulated Amortization on Leasehold Improvements" is used to accumulate the amortization charges to expense for leasehold improvements.

B. This account shall be used by those activities that are authorized to enter into capital lease agreements and are required to recover their operating costs through sales of goods and services.

C. Table 7-10 illustrates the most common entries used for this account.

D. Sources for entries to this account include journal vouchers with workpapers supporting the computation of the amounts to be amortized over the life of the lease.

070312 Automated Data Processing Software (Account 1830)

A. "Automated Data Processing Software" is used to record the value of ADP software owned by the Department of Defense that meets the capitalization criteria in Chapter 1 of this Volume.

B. As a general rule, most ADP software used by DoD Components has a life expectancy of less than 2 years. Most programs, including purchased software, are modified substantially or made obsolete within that period of time.

C. Table 7-11 illustrates the most common entries used for this account.

ACCOUNTING ENTRIES FOR ACCOUNT 1820 - LEASEHOLD IMPROVEMENTS

1. Dr 1820 Leasehold Improvements
 Cr 1721 Construction in Progress-In House
 Cr 1722 Construction in Progress-Contractor

To record the value of completed improvements to leased property.

2. Dr 1829 Accumulated Amortization on Leasehold Improvements
 Cr 1820 Leasehold Improvements

To write off fully amortized leasehold improvements.

TABLE 7-9**ACCOUNTING ENTRIES FOR ACCOUNT 1829 -
ACCUMULATED AMORTIZATION ON LEASEHOLD IMPROVEMENTS**

1. Dr 6128 Amortization of Leasehold Improvements and Other Intangible Assets
 Cr 1829 Accumulated Amortization on Leasehold Improvements

To record the amortization expense for the accounting period.

2. Dr 1829 Accumulated Amortization on Leasehold Improvements
 Cr 1820 Leasehold Improvements

To write off fully amortized leasehold improvements.

TABLE 7-10

D. Sources for entries to this account include payment vouchers, journal vouchers, and documents transferring completed software from work in process.

070313 Accumulated Amortization on Automated Data Processing Software (Account 1839)

A. "Accumulated Amortization on Automated Data Processing Software" accumulates the amortization charged to expense for automated data processing software.

B. This account shall be used by those activities that are required to recover their

operating costs through sales of goods and services.

C. Table 7-12 illustrates the most common entries used for this account.

D. Sources for entries to this account include journal vouchers with workpapers supporting the computation of the amounts to be amortized.

070314 Other Fixed Assets (Account 1890). "Other Fixed Assets" is used to record the value of fixed assets, such as statues, monuments, and artwork, historical items and structures, etc.

**ACCOUNTING ENTRIES FOR ACCOUNT 1830 -
AUTOMATED DATA PROCESSING SOFTWARE**

1. Dr 1830 Automated Data Processing Software
Cr 2113 Accounts Payable-Public-Current
Cr 1541 Inventory-Work in Process-In-House

To record purchase of ADP software or to transfer in-house developed software to a completed status.

2. Dr 7210 Losses on Disposition of Assets
Dr 1839 Accumulated Amortization on Automated Data Processing Software
Cr 1830 Automated Data Processing Software

To write off unusable ADP software.

3. Dr 1839 Accumulated Amortization on Automated Data Processing Software
Cr 1830 Automated Data Processing Software

To write off fully amortized ADP software.

TABLE 7-11

**ACCOUNTING ENTRIES FOR ACCOUNT 1839 -
ACCUMULATED AMORTIZATION ON AUTOMATED DATA PROCESSING SOFTWARE**

1. Dr 6128 Amortization of Leasehold Improvements and Other Intangible Assets
Cr 1839 Accumulated Amortization on Automated Data Processing Software

To record the amortization expense for the accounting period.

2. Dr 1839 Accumulated Amortization on Automated Data Processing Software
Cr 1830 Automated Data Processing Software

To write off fully amortized ADP software.

TABLE 7-12

070315 Other Assets, Net (Account 1900)

A. "Other Assets, Net" represents the value of assets not specified in specific accounts discussed in Chapters 4 and 6 of this Volume or the preceding paragraphs 070302 through 070313, above, in this chapter.

B. This account is a summary account used for financial accounting and control purposes. No entries are posted to this account.

070316 Acquired Collateral (Account 1910)

A. "Acquired Collateral" is used to record the value of property obtained by the Department of Defense as collateral to defaulted

loans. Such situations may arise when DoD Components enter into secured loan agreements with contractors.

B. The amounts to be recorded in this account shall recognize the same cost elements that apply to acquired assets as prescribed in Chapter 1 of this Volume.

C. Table 7-13 illustrates the most common entries used for this account.

D. Source documents for entries to this account include contracts, default notifications to contractors, sales and collection documents, and journal vouchers.

ACCOUNTING ENTRIES FOR ACCOUNT 1910 - ACQUIRED COLLATERAL

1. Dr 1910 Acquired Collateral
 Cr 1353 Loans Receivable-Public-Current
 Cr 2910 Prior Liens Outstanding on Acquired Collateral

To record collateral received on defaulted loans.

2. Dr 1320 Claims Receivable-Public
 Dr 1919 Allowance for Loss on Acquired Collateral
 Dr 2910 Prior Liens Outstanding on Acquired Collateral
 Dr 1011 Funds Collected
 Cr 1910 Acquired Collateral

To record sale of acquired collateral and to recognize an additional claim for amounts not recovered in disposing the collateral.

TABLE 7-13

070317 Allowance for Loss on Acquired Collateral (Account 1919)

A. "Allowance for Loss on Acquired Collateral" is used to record the estimated future losses pertaining to the net investment of property acquired through loan default.

B. This account shall be used by those activities that are required to recover their operating costs through sales of goods and services. Otherwise, such allowance loss entries shall be made at the departmental level in accordance with the guidance in Chapter 1 of this Volume.

C. Table 7-14 illustrates the most common entries used for this account.

D. Sources for entries to this account include journal vouchers with supporting work

sheets showing the computation of the estimated write-off and documents supporting the decision to write off acquired collateral.

070318 Unrequisitioned Authorized Appropriations (Account 1920)

A. "Unrequisitioned Authorized Appropriations" is used to record the unrequisitioned disbursing authority as provided for in liquidating cash authority granted by Congress.

B. Entries to this account require a corresponding entry to budgetary accounts dealing with contract authority.

C. Table 7-15 illustrates the most common entries used for this account.

D. Sources for entries to this account include budget documents and legislation authorizing contract authority.

**ACCOUNTING ENTRIES FOR ACCOUNT 1919 -
ALLOWANCE FOR LOSS ON ACQUIRED COLLATERAL**

1. Dr 7210 Losses on Disposition of Assets
Cr 1919 Allowance for Loss on Acquired Collateral

To record estimated loss on acquired collateral.

2. Dr 1919 Allowance for Loss on Acquired Collateral
Cr 1910 Acquired Collateral

To write off acquired collateral.

TABLE 7-14

**ACCOUNTING ENTRIES FOR ACCOUNT 1920 -
UNREQUISITIONED AUTHORIZED APPROPRIATIONS**

1. Dr 1920 Unrequisitioned Authorized Appropriations
Dr 4132 Contract Authority-With Liquidating Appropriation
Cr 3100 Appropriated Capital
Cr 4131 Contract Authority-Without Liquidating Appropriation

To record enactment of public law for liquidating cash authority.

2. Dr 1011 Funds Collected
Cr 1920 Unrequisitioned Authorized Appropriations

To record request for transfer of disbursing Authority to the expenditure account.

3. Dr 3500 Deferred Liquidating Cash Authority
Dr 4450 Authority Available for Apportionment
Cr 1920 Unrequisitioned Authorized Appropriation
Cr 4132 Contract Authority-With Liquidating Appropriation

To adjust liquidating cash authority to the amount of disbursing authority actually transferred to the expenditure account.

NOTE: This entry is reversed at the beginning of the next fiscal year.

TABLE 7-15

070319 Other Assets (Account 1990)

A. "Other Assets" is used to record the value of assets not otherwise classifiable to a specific asset account. Applicable subsidiary accounts shall be established as necessary to meet management and reporting needs.

B. Table 7-16 illustrates the most common entries used of this account.

C. Source documents for entries to this account include receiving reports and journal vouchers.

ACCOUNTING ENTRIES FOR ACCOUNT 1990 - OTHER ASSETS

1. Dr 1990 Other Assets
Cr 2113 Accounts Payable-Public-Current

To record the value of assets purchased from commercial vendors that may not be classified to a specific asset account.

2. Dr 6000 Expense accounts series
Cr 1990 Other Assets

To record use of these assets in operations.

TABLE 7-16

ACCOUNT NO. 1600	
INVESTMENTS, NET	
DESCRIPTION: Securities and other assets held for the production of revenues in the form of interest, dividends, rentals, or lease payments, net of premiums and discounts.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 7-1	

ACCOUNT NO. 1610	
SECURITIES (AT PAR)	
DESCRIPTION: The par value of U.S. securities held by DoD Components.	
DEBIT	CREDIT
1. Purchase of securities at a discount. Contra: 1012 and 1611	1. Sale of securities at a loss with unamortized discount. Contra: 1011, 1611, and 7292
NORMAL BALANCE: DEBIT	
FIGURE 7-2	

ACCOUNT NO. 1611	
SECURITIES - UNAMORTIZED PREMIUM OR DISCOUNT	
DESCRIPTION: The unamortized amount of premiums or discounts on securities.	
DEBIT	CREDIT
1. Purchase of securities at a discount. Contra: 1011 2. Amortization of a discount. Contra: 5300	1. Purchase of securities at a premium. Contra: 1610 2. Amortization of a premium. Contra: 5300
NORMAL BALANCE: DEBIT OR CREDIT	
FIGURE 7-3	

ACCOUNT NO. 1690	
OTHER INVESTMENTS	
DESCRIPTION: Securities issued by Government-sponsored enterprises and non-government entities.	
DEBIT	CREDIT
Use of this account is not authorized.	
NORMAL BALANCE:	
FIGURE 7-4	

ACCOUNT NO. 1761	
INDUSTRIAL PROPERTY IN LAYAWAY	
DESCRIPTION: The capitalized value of DoD property that is stored for future use in meeting mobilization purposes.	
DEBIT	CREDIT
1. Value of industrial plant equipment placed in storage. Contra: 1763	1. Industrial equipment in storage sent to disposal. Contra: 1765
NORMAL BALANCE: DEBIT	
FIGURE 7-5	

ACCOUNT NO. 1765	
PROPERTY AWAITING DISPOSAL	
DESCRIPTION: The capitalized value of property designated for disposal, recovery or utilization.	
DEBIT	CREDIT
1. Property transferred to disposal. Contra: 1762 and 1766	1. Sale of property. Contra: 3620, 1769, and 7210
NORMAL BALANCE: DEBIT	
FIGURE 7-6	

ACCOUNT NO. 1810	
ASSETS UNDER CAPITAL LEASE	
DESCRIPTION: The capitalized value of assets being leased under terms which are essentially equivalent to an installment purchase.	
DEBIT	CREDIT
1. Capital leases signed. Contra: 2991	1. Disposition of an asset held under a capital lease. Contra: 1819, 2991, and 7210
NORMAL BALANCE: DEBIT	
FIGURE 7-7	

ACCOUNT NO. 1819	
ACCUMULATED DEPRECIATION ON ASSETS UNDER CAPITAL LEASES	
DESCRIPTION: Accumulates the depreciation charged to expense for assets under capital leases.	
DEBIT	CREDIT
1. Disposition of an asset held under capital leases. Contra: 1810	1. Depreciation for the accounting period. Contra: 6125 and 6126
NORMAL BALANCE: CREDIT	
FIGURE 7-8	

ACCOUNT NO. 1820	
LEASEHOLD IMPROVEMENTS	
DESCRIPTION: Represents the capitalized value of improvements made to leased property.	
DEBIT	CREDIT
1. Value of completed improvements. Contra: 1721 and 1722	1. Write off fully amortized improvements. Contra: 1829
NORMAL BALANCE: DEBIT	
FIGURE 7-9	

ACCOUNT NO. 1829	
ACCUMULATED AMORTIZATION ON LEASEHOLD IMPROVEMENTS	
DESCRIPTION: Accumulated amortization charges to expense for leasehold improvements.	
DEBIT	CREDIT
1. Write off fully amortized leasehold improvements. Contra: 1820	1. Amortization expense for the accounting period. Contra: 6128
NORMAL BALANCE: CREDIT	
FIGURE 7-10	

ACCOUNT NO. 1830	
AUTOMATED DATA PROCESSING SOFTWARE	
DESCRIPTION: Represents the capitalized value of ADP software owned by DoD.	
DEBIT	CREDIT
1. Purchase or in-house developed software. Contra: 1541 and 2113	1. Write off unusable ADP software. Contra: 1839 and 7210
NORMAL BALANCE: DEBIT	
FIGURE 7-11	

ACCOUNT NO. 1839	
ACCUMULATED AMORTIZATION ON AUTOMATED DATA PROCESSING SOFTWARE	
DESCRIPTION: Accumulates the amortization charged to expense for automated data processing software.	
DEBIT	CREDIT
1. Write off fully amortized ADP software. Contra: 1830	1. Record the amortization expense for the accounting period. Contra: 6128
NORMAL BALANCE: CREDIT	
FIGURE 7-12	

ACCOUNT NO. 1890	
OTHER FIXED ASSETS	
DESCRIPTION: The value of fixed assets such as statues, monuments, and artwork, historical items and structures, etc. that do not depreciate (excludes land).	
DEBIT	CREDIT
1. Value of non-depreciable assets (excluding land), such as statues, monuments, artwork and historical items and structures.	2. Disposition of items.
NORMAL BALANCE: DEBIT	
FIGURE 7-13	

ACCOUNT NO. 1900	
OTHER ASSETS, NET	
DESCRIPTION: Value of assets not specified in specific fixed accounts.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 7-14	

ACCOUNT NO. 1910	
ACQUIRED COLLATERAL	
DESCRIPTION: Represents the value of property obtained by DoD as collateral to defaulted loans.	
DEBIT	CREDIT
1. Collateral received on defaulted loans. Contra: 1353 and 2910	1. Sale of acquired collateral. Contra: 1320, 1919, 2910, and 3620
NORMAL BALANCE: DEBIT	
FIGURE 7-15	

ACCOUNT NO. 1919	
ALLOWANCE FOR LOSS ON ACQUIRED COLLATERAL	
DESCRIPTION: Accumulates the estimated future losses pertaining to the net investment of property acquired through loan default.	
DEBIT	CREDIT
1. Write off acquired collateral. Contra: 1910	1. Estimated loss on acquired collateral. Contra: 7210
NORMAL BALANCE: CREDIT	
FIGURE 7-16	

ACCOUNT NO. 1920	
UNREQUISITIONED AUTHORIZED APPROPRIATIONS	
DESCRIPTION: The amount of unrequisioned disbursing authority as provided for in liquidating cash authority granted by the Congress.	
DEBIT	CREDIT
<p>1. Record enactment of public law for liquidating cash authority.</p> <p>Contra: 3100</p>	<p>1. Record request for transfer of disbursing authority to the expenditure account.</p> <p>Contra: 1011</p> <p>2. Adjust liquidating cash authority to the amount of disbursing authority actually transferred to the expenditure account. (Reverse at beginning of next fiscal year.)</p> <p>Contra: 3100</p>
NORMAL BALANCE: DEBIT	
FIGURE 7-17	

ACCOUNT NO. 1990	
OTHER ASSETS	
DESCRIPTION: The value of assets not otherwise classifiable to a specific asset account.	
DEBIT	CREDIT
1. Purchase of miscellaneous assets from commercial sources. Contra: 2113	1. Use of assets in operations. Contra: 6000 series of accounts.
NORMAL BALANCE: DEBIT	
FIGURE 7-18	